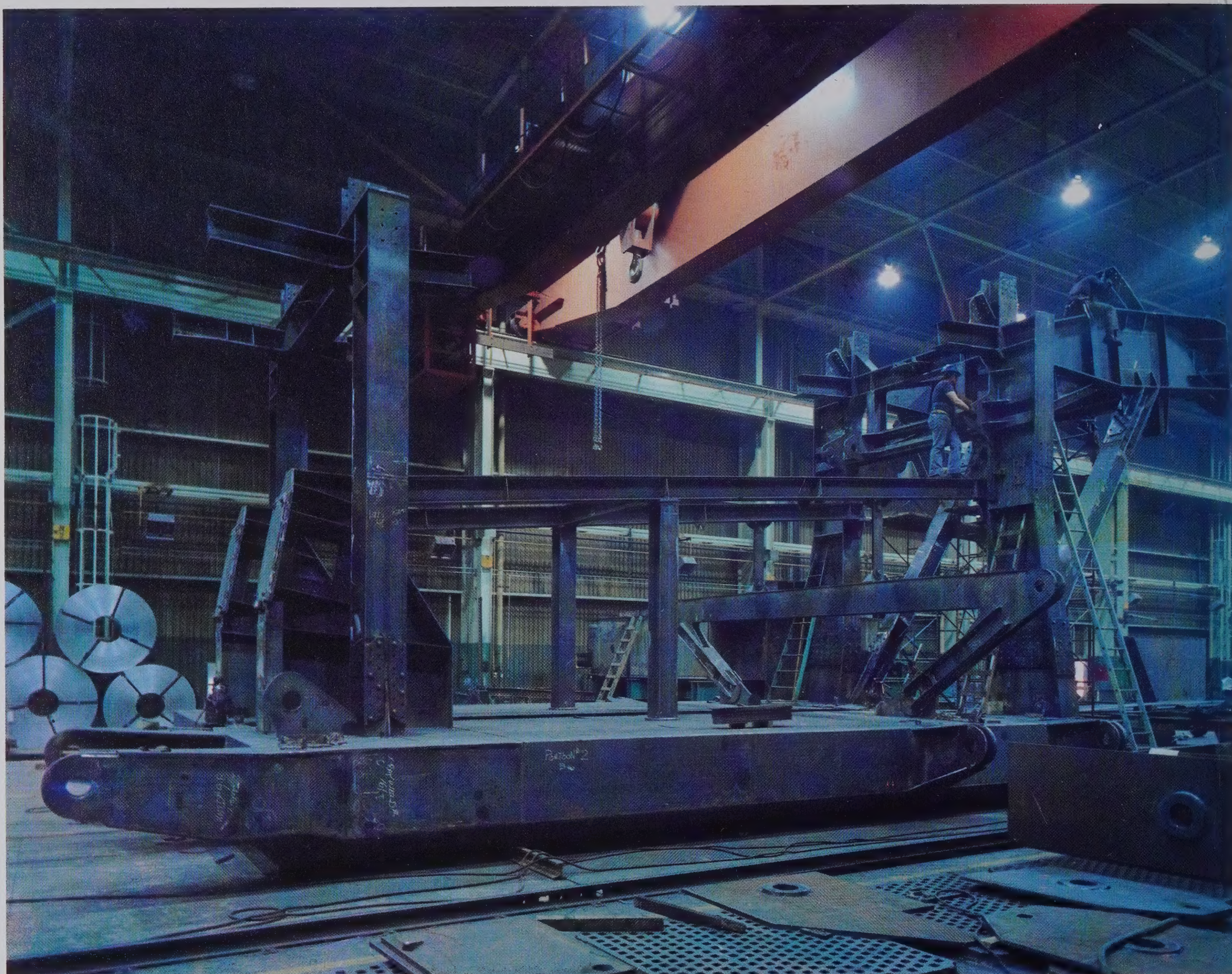
Bridge & Tank
COMPANY OF CANADA LIMITED

FORWARD TO THE 80'S

Annual Report 1976



Pontoon for moveable Head Station, part of 1,700 Ton Conveyor System for Athabasca Tar Sands Project.

DIRECTORS

W. A. Andres, *Toronto*
G. F. Campbell, *Toronto*
H. B. Martin, *Toronto*
H. C. Rynard, *Toronto*
Harold Tanenbaum, *Toronto*
Howard Tanenbaum, *Toronto*
Joseph M. Tanenbaum, *Toronto*
Max Tanenbaum, *Toronto*

OFFICERS

Harold Tanenbaum — *Chairman of the Board*
Joseph M. Tanenbaum — *President and Chief Executive Officer*
Ian S. MacDonald — *Vice-President, Marketing*
J. Bracewell — *Secretary and Treasurer*

TRANSFER AGENTS

ROYAL TRUST COMPANY

Front Cover: Sections of Twin Strand Continuous Slab Casting Machine for Major Primary Steel Producer.

Mast & Kingpost for Crane Equipment to be installed on U.S. Naval Vessels, being machined on large engine lathe capable of handling over 12′ diameter to 80′ in length.

Nowhere in Canadian industry today, we believe, are the manifestations of the free enterprise system so keenly apparent as you will find at Bridge and Tank. Initiative, skill, experience, teamwork, innovation are our assets which customers can and do take for granted.

We are constantly seeking new methods, continuously expanding, renovating, installing new equipment, employing new people, encouraging new ideas.

The result is that we can say with confidence, with pride that at Bridge and Tank

WE MAKE
THE IMPOSSIBLE
A REALITY!

REPORT TO THE SHAREHOLDERS

HAROLD TANENBAUM,
Chairman of the Board

JOSEPH M. TANENBAUM,
President and
Chief Executive Officer

On behalf of the Directors, we submit the audited Consolidated Financial Statements of the Company and its subsidiaries for the year ending December 31, 1976.

Consolidated net earnings for the year were $793,591 (67 cents per common share after extraordinary item and after provision for preferred share dividends) on sales of $15,777,648 compared to net earnings of $786,523 on sales of $17,877,365 for 1975. The extraordinary item was $167,172 due to the sale of surplus land in Winnipeg which was not required for the Western division operation.

Net earnings of the Hamilton division, although improved over the previous year were adversely affected by a strike of 4½ weeks duration prior to the signing of a two year contract with the United Steelworkers and terminating May 31, 1978.

Earnings in the Crane Rental division were improved over the previous year, while earnings in the Western division were lower, primarily due to the depressed condition of the construction industry in the Manitoba area.

The two year agreements with the United Steelworkers at the Hamilton and Winnipeg plants were in excess of the allowable guidelines under the Anti-Inflation regulations. Requests for special consideration for approval of the agreements were filed with the Anti-Inflation Board in September 1976, on the basis of maintaining an historical relationship to wages being paid by competing industries in the surrounding areas. To date rulings on these applications have not been received from the Board.

The Company backlog at December 31, 1976 was $6,900,000 in the Hamilton division and $1,900,000 in the Western division. The uncertainty prevailing in the business community due to government fiscal policy and the restraint on profits has resulted in the deferrment and in some instances, cancellation of capital projects. The Company's backlog has remained relatively constant over the past six months. Any significant improvement will depend to a great extent on government initiative in implementing policies that will stimulate capital investment in new productive facilities, which is imperative to the survival of a healthy and competitive Canadian economy.

The Company's continuing efforts to obtain contracts for export has resulted in contracts currently being processed for masts and kingposts for the United States Navy, canal intake gates for Indonesia, and bridges for the Government of Jamaica.

As a result of the improvement in the working capital, a program to pay the arrears of preferred share dividends was adopted. With the regular dividend payable March 1, 1977, one dividend on account of arrears was declared. The continued payment of arrears will depend on satisfactory earnings and working capital being maintatined.

We wish to thank the Board of Directors, Management and Employees for their sincere efforts during the past year.

H. Tanenbaum, *Chairman of the Board*

J. M. Tanenbaum, *President and Chief Executive Officer*

ASSETS	1976	1975
CURRENT ASSETS:		
Cash and term deposits	$ 456,484	$ 213,048
Accounts receivable:		
Trade	2,561,920	3,109,124
Other	197,265	—
Due from parent company	31,017	319,958
Inventories:		
Contracts and other work in process	2,657,241	3,099,300
Raw materials and stores	2,752,136	2,833,225
	5,409,377	5,932,525
Marketable securities at cost (market value 1976, $385,005; 1975, $353,710):		
Available for contract and other deposits	401,286	353,403
Contract and other deposits	24,907	70,290
	426,193	423,693
Prepaid expenses	31,128	56,655
TOTAL CURRENT ASSETS	9,113,384	10,055,003
Funds provided for the purchase of preference shares (note 5)	100,000	100,000
Property, plant and equipment, less depreciation (note 2):		
Buildings, machinery and equipment	14,768,664	14,068,444
Less accumulated depreciation	7,851,022	7,158,766
	6,917,642	6,909,678
Land	164,690	171,850
	7,082,332	7,081,528
Excess of cost of investment in a wholly-owned subsidiary over underlying net book value at date of acquisition	216,845	216,845
Financing and organization expenses, less amounts written off	1,390	1,390
	$16,513,951	$17,454,766

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Bridge & Tank Company of Canada Limited as at December 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards,

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1976 WITH COMPARATIVE FIGURES FOR 1975

LIABILITIES AND SHAREHOLDERS' EQUITY	1976	1975
CURRENT LIABILITIES:		
Bank indebtedness, secured (note 3)	$ 1,419,000	$ 2,922,068
Accounts payable and accrued charges	2,419,832	2,422,515
Advance billings on uncompleted contracts	1,042,572	1,647,732
Income taxes payable	91,550	47,601
Other taxes payable	139,302	186,049
Deferred income taxes	559,816	667,500
Long-term debt due within one year (note 4)	271,573	258,846
TOTAL CURRENT LIABILITIES	5,943,645	8,152,311
Long-term debt (note 4)	438,455	390,491
Deferred income taxes	1,071,745	552,600
Shareholders' equity:		
Capital stock (note 5):		
$2.90 Sinking Fund Preference shares	1,600,850	1,600,850
Common shares	1,815,166	1,815,166
	3,416,016	3,416,016
Amount arising from appraisals of fixed assets, unchanged during the year	746,669	746,669
Retained earnings (note 6)	4,897,421	4,196,679
	9,060,106	8,359,364
Commitment (note 7)		
	$16,513,951	$17,454,766

On behalf of the Board:
J. M. Tanenbaum, *Director*
Harold Tanenbaum, *Director*

and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.
Chartered Accountants
Hamilton, Canada February 11, 1977

CONSOLIDATED STATEMENT OF EARNINGS
YEAR ENDED DECEMBER 31, 1976 WITH COMPARATIVE FIGURES FOR 1975

	1976	1975
Sales	$15,777,648	$17,877,365
Costs, including selling and administrative expenses	13,642,492	15,464,303
Depreciation	810,695	706,166
	14,453,187	16,170,469
Operating profit	1,324,461	1,706,896
Other income:		
Income from sundry investments	49,241	52,827
Gain on disposal of property, plant and equipment	39,709	96,098
	88,950	148,925
	1,413,411	1,855,821
Other expenses:		
Interest on long-term debt and financing expenses	34,373	2,000
Other interest	259,771	429,296
	294,144	431,296
Earnings before income taxes and extraordinary item	1,119,267	1,424,525
Income taxes:		
Current	108,545	72,400
Deferred	384,303	565,602
	492,848	638,002
Earnings before extraordinary item	626,419	786,523
Extraordinary gain arising from the sale of land net of applicable income taxes of $27,200	167,172	–
Net earnings for the year	$ 793,591	$ 786,523
Earnings per common share:		
Earnings before extraordinary item	$ .51	$ .66
Net earnings for the year	$ .67	$ .66

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1976 WITH COMPARATIVE FIGURES FOR 1975

	1976	1975
Retained earnings at beginning of year	$ 4,196,679	$ 3,503,005
Net earnings for the year	793,591	786,523
	4,990,270	4,289,528
Dividends on preference shares	92,849	92,849
Retained earnings at end of year	$ 4,897,421	$ 4,196,679

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1976 WITH COMPARATIVE FIGURES FOR 1975

	1976	1975
Funds provided:		
Net earnings for the year before extraordinary item	$ 626,419	$ 786,523
Add (deduct) items not requiring (providing) working capital during the year:		
Depreciation	810,695	706,166
Deferred income taxes	491,987	546,071
Gain on sale of property, plant and equipment	(39,709)	(96,098)
Working capital provided by operations exclusive of extraordinary item	1,889,392	1,942,662
Long-term debt incurred	323,470	649,337
Proceeds from sale of equipment	204,994	136,772
Proceeds from sale of land	201,490	—
Reduction in mortgage receivable	—	30,726
Total funds provided	2,619,346	2,759,497
Funds used:		
Purchase of property, plant and equipment	983,944	1,975,948
Reduction of long-term debt	275,506	258,846
Dividends on preference shares	92,849	92,849
Total funds used	1,352,299	2,327,643
Increase in working capital	1,267,047	431,854
Working capital at beginning of year	1,902,692	1,470,838
Working capital at end of year	$ 3,169,739	$ 1,902,692

See accompanying notes to consolidated financial statements.

BRIDGE & TANK COMPANY OF CANADA LIMITED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1976

1. Summary of significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements at December 31, 1976 include the accounts of the company and all subsidiary companies. It is not proposed at this time to amortize the excess of cost of investment in a wholly-owned subsidiary over the underlying net book value at date of acquisition.

(b) Revenue recognition:

The company recognizes revenue from contracts generally on the percentage of completion basis, determined by the ratio of costs incurred to management's estimates of total anticipated costs. If estimated total costs on any contract indicate a loss, the company provides currently for the total loss anticipated on the contract.

(c) Inventories:

Contracts and other work in process are valued at the lower of cost or net realizable value.

Raw materials and stores are valued at the lower of cost or replacement value.

(d) Depreciation and retirements:

Depreciation is provided on buildings, machinery and equipment on a straight-line basis over the estimated useful lives of those assets. The annual rates of depreciation used are as follows:

Buildings	2½% or 5% depending on construction
Roadways	2%
Machinery and equipment	10% to 12½%
Automotive equipment	15%
Jigs and dies	50%

On the sale or retirement of items of property, plant and equipment the cost and related accumulated depreciation are eliminated from the accounts and the gain or loss is reflected in income.

(e) Income taxes:

The company follows the tax allocation method of accounting for income taxes which makes full provision for such taxes on all reported income. The accumulated tax allocation credits arising from timing differences that relate to current assets and current liabilities (revenues and costs on uncompleted contracts) are grouped with current liabilities although they do not become payable until the year following completion of the contract.

Investment tax credits of approximately $66,000 for 1975 and $41,000 for 1976 are available to reduce federal income taxes payable to 1980 and 1981 respectively.

(f) Pension plans:

The company maintains two pension plans. Substantially all employees are eligible to join one of the two plans and the majority of the employees are covered by the plans. The company's current and past service contributions to the plans for the year ended December 31, 1976 amounted to $216,400 which has been charged to operations.

2. Property, plant and equipment less accumulated depreciation:

Buildings, machinery and equipment:

On the basis of an appraisal report by Stone & Webster Engineering Corporation dated January 29, 1954, with subsequent additions at cost, less accumulated depreciation $5,325,835	$5,687,578
At cost, less accumulated depreciation $2,441,979	1,205,605
At values determined by the Board of Directors of a subsidiary company, as of August 31, 1955, with subsequent additions at cost, less accumulated depreciation $83,208	24,459
	$6,917,642

Land:

On the basis of an appraisal report by Lounsbury & Lounsbury Ltd., dated January 18, 1954	$ 117,600
At cost	47,090
	$ 164,690

3. Bank indebtedness:

The bank indebtedness is secured by a general assignment of book debts, inventories under Section 88 of the Bank Act and marketable securities.

4. Long-term debt:

The long-term debt is comprised of:

Four 6% chattel mortgages maturing on various dates during 1978 and requiring aggregate principal repayments in the amount of $179,679 in 1977 and 1978	$ 359,358
A 5% and a 6% chattel mortgage, both maturing in 1980 and requiring aggregate principal repayments of $64,693 in 1977 and $86,259 in subsequent years to 1980	323,470
An 8% conditional sales contract maturing on November 1, 1976 and requiring a blended payment of principal and interest of $29,376 on November 1, 1977	27,200
	710,028
Less amount due within one year	271,573
	$ 438,455

5. Capital stock:

(a) Authorized:	Shares	Amount
$2.90 Sinking Fund Preference shares, par value $50 each	192,467	
Less redeemed to date	450	
Authorized for issuance	192,017	
Common shares of no par value	3,000,000	
Issued:		
$2.90 Sinking Fund Preference shares	32,467	$1,623,350
Less redeemed to date	450	22,500
Issued and outstanding	32,017	$1,600,850
Common shares issued and outstanding	1,043,694	$1,815,166

(b) The issued preference shares are non-participating and carry a fixed cumulative dividend of $2.90 per share per annum. The shares are redeemable at $51 per share.

(c) Under the terms of the sinking fund provisions in respect of the issued preference shares, the company has set aside $100,000 in cash to be used for the purchase of preference shares for cancellation.

6. Dividend arrears:

Dividend arrears on the $2.90 Sinking Fund Preference shares are $8.70 per share or $278,548, unchanged during the year.

7. Commitment:

The unfunded liability for past service costs under the companies' pension plans is approximately $668,000 at December 31, 1976 (1975, $726,000) based on actuarial studies made as at December 31, 1974. The amount of $668,000 is being funded at the rate of $78,000, including interest, to December 31, 1989.

8. Anti-Inflation Act:

The company is subject to the Anti-Inflation Act and Regulations. As a result the ability to increase prices, profit margins and compensation is restricted. With respect to prices and profit margins, the company has filed the required forms with the Anti-Inflation Board on a consolidated basis with its parent company. The company has not been formally notified as yet that the forms have been accepted by the Anti-Inflation Board. Accordingly, while uncertainty exists concerning the acceptance by the Board of such filing, it is the opinion of management that the company is in substantial compliance with the Guidelines.

9. Statutory information:

Remuneration paid to directors and senior officers as defined by the Business Corporations Act amounted to $204,400.

Ladle Turret to handle two 375 Ton Hot Metal Ladles for a major Canadian primary steel producer.

Ladle Turret to handle two 125 Ton Hot Metal Ladles in a Continuous Casting installation for a U.S. primary steel producer.

160' TRAPEZOIDAL BRIDGE GIRDER SPAN FOR THAMES RIVER CROSSING.